



Naturally, it works.™

The sustainable, values-based economic opportunity: A natural way for Maine to lead

Presentation to the Governor's Task Force promoting
safer chemicals in consumer products and services

Friday, October 13, 2006



Task force promoting safer chemicals in consumer products and services

“The purpose of the Task Force is to identify and promote the use and development of safer alternatives to hazardous chemicals in consumer goods and services made, provided, or sold in Maine so as to benefit public health, the environment and the economy for all Maine people.”



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Our story

36 Years of Pioneering
Natural Care: 1970-2006



\$5,000 loan —————> \$50 million business

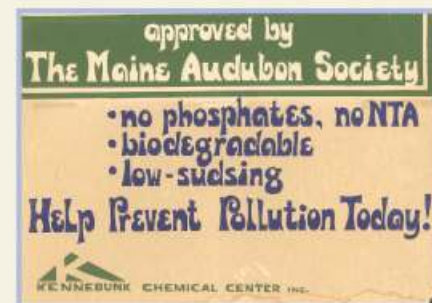
“As a young family, we wanted to use natural personal care products that wouldn’t adversely affect the environment or our communities, but we couldn’t find any. So we decided to make some ourselves!”

—Tom and Kate Chappell



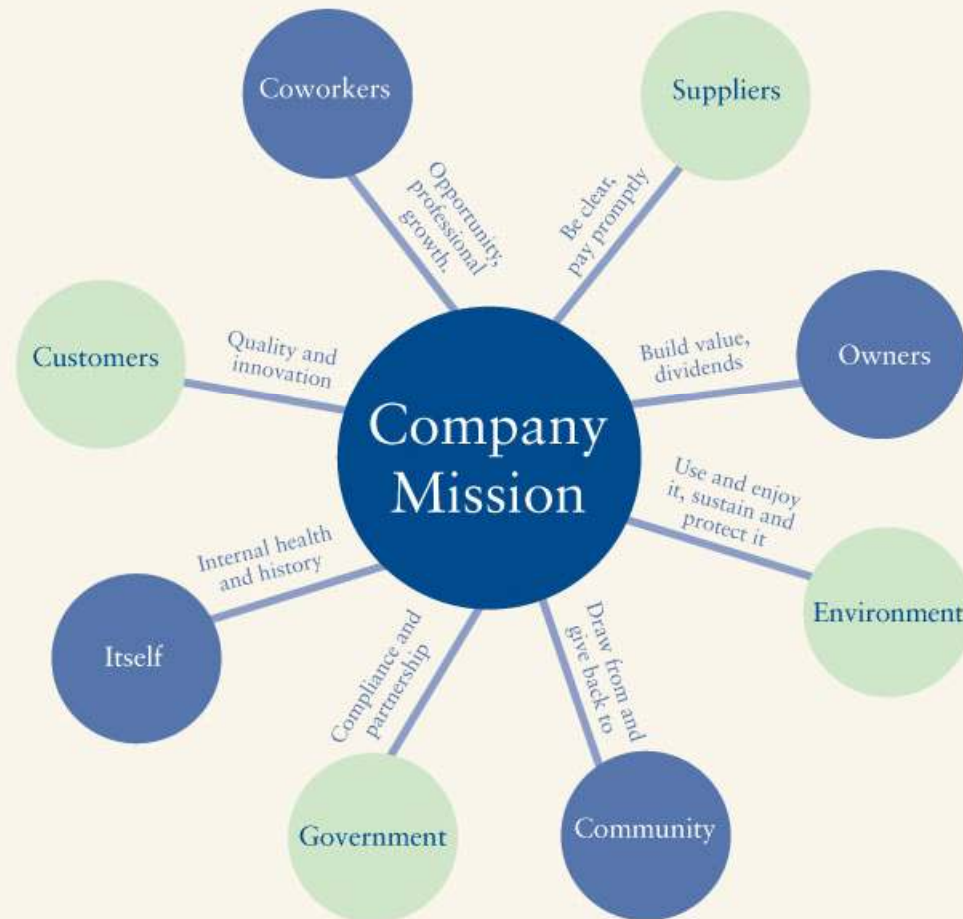
The company's very first product

Clearlake,™ a phosphate free laundry detergent—with a returnable bottle!





The world view of a values-integrated business model



“Being is relation”

—JONATHAN EDWARDS



Charter documents: Our Destiny and Beliefs

Our Destiny

Our Destiny is to be the trusted partner among consumers with whom we share common values.

Our Beliefs

- We believe that both human beings and nature have inherent worth and deserve our **respect**.
- We believe in products that are safe, effective, and made of **natural** ingredients.
- We believe that our company and our products are unique and worthwhile, and that we can sustain these genuine qualities with an ongoing commitment to **innovation and creativity**.
- We believe that we have a responsibility to cultivate the best **relationships** possible with our coworkers, customers, owners, agents, suppliers, and community.
- We believe that different people bring **different gifts and perspectives** to the team and that a strong team is founded on a variety of gifts.
- We believe in providing employees with a **safe and fulfilling** work environment and an opportunity to grow and learn.
- We believe that **competence** is an essential means of sustaining our values in a competitive marketplace.
- We believe our company can be financially **successful while behaving in a socially responsible and environmentally sensitive manner**.
- We believe that we have an individual and collective **accountability** to the Company's beliefs, mission, destiny, and performance goals.



Charter documents: Our Mission

- To serve our customers by providing safe, effective, innovative natural products of high quality.
- To build relationships with our customers that extend beyond product usage to include full and honest dialogue, responsiveness to feedback, and the exchange of information about products and issues.
- To respect, value, and serve not only our customers but also our coworkers, owners, agents, suppliers, and community; to be concerned about and contribute to their well-being; and to operate with integrity so as to be deserving of their trust.
- To provide meaningful work, fair compensation, and a safe, healthy work environment that encourages openness, creativity, self-discipline, and growth.
- To contribute to and affirm a high level of commitment, skill, and effectiveness in the work community.
- To recognize, encourage, and seek a diversity of gifts and perspectives in our work life.
- To acknowledge the value of each person's contribution to our goals and to foster teamwork in our tasks.
- To be distinctive in products and policies which honor and sustain our natural world.
- To address community concerns, in Maine and around the globe, by devoting a portion of our time, talents, and resources to the environment, human needs, the arts, and education.
- To work together to contribute to the long-term value and sustainability of our company.
- To be a profitable and successful company while acting in a socially and environmentally responsible manner.
- To create and manage a system of accountability which holds each person in the Company's employment or governance responsible for individual behavior and personal performance consistent with the Company's Beliefs, Mission, Destiny, Performance Goals, and Individual Work Plans.



Charter documents: Our Stewardship Model

Our Stewardship Model has fostered highly innovative and effective natural products that are trusted by the consumer.

OUR STANDARDS FOR NATURAL

- Sourced in nature
- Simple and understandable ingredients
- Free of artificial preservatives, colors, sweeteners, flavors, fragrances, and other additives
- Free of animal ingredients
- Made of high-quality ingredients
- Subject to limited processing
- Purposeful in the system of ingredients
- Promote organically grown ingredients wherever possible and practical

OUR STANDARDS FOR SUSTAINABLE

- Contribute to environmental and economic sustainability
- Socially conscious
- Environmentally friendly products and packaging
- Establish safety and efficacy in our products and ingredients without testing on animals
- Renewable and recyclable resources
- Biodegradable
- Promote sustainable harvesting practices
- Respectful of basic human rights
- Respectful of the rights of indigenous people

OUR STANDARDS FOR RESPONSIBLE

- Safe
- Effective
- Sufficient research conducted
- Honesty about where and how ingredient, product, and packaging was sourced
- Honesty about claims related to product/ingredient/ formulation
- Affordable for consumer
- Affordable for company
- Build value and equity for company and its shareholders
- Respect for the standards of the Food and Drug Administration
- Respect for the standards of the Federal Trade Commission
- Respect for the standards of organizations (American Dental Association) with whom we have chosen to partner



Vendor selection—Assessing vendor total value

PRINCIPALS

Criteria

- Individual ingredients (includes vendor's written certifications)
- Naturally derived
- No GMO
- Safe
- Manufacturing process is sustainable, responsible, and fulfills Company Mission
- R&D review of ingredient performance within the product (including FDA monograms)
- Meets Tom's of Maine's specification
- Not tested on animals
- Packaging compatibility, stability, organoleptic evaluation
- Affordable

Logistics

- Storage & container options
- VMI

Vendor

- Vendor's corporate values/stewardship
- Policy on HS&E, animal testing, GMO and other certifications

TOM'S OF MAINE'S CASE-BY-CASE ASSESSMENT:

Stewardship Model

- Natural
- Sustainable
- Responsible



Annual post-consumer recycled paperboard benefit

(as of May 2006)

Packaging Item	Corrugated	Cartons	Inserts	Chipboard	Total
Annual Tons	224	319	22	35	600
% Post-Consumer	95%	55%	100%	100%	74%
SAVINGS					
Trees	3,032	2,500	314	499	6,000
Pounds of Greenhouse Gases	468,160	385,990	48,400	77,000	980,000
Miles Traveled by Avg Car	418,280	344,865	43,243	68,796	875,000
Million BTUs of Energy	2,937	2,4212	304	483	6,000
Years of Electricity for Avg Home	28	23	3	5	60
Pounds of Air Pollution	2,796	2,305	289	460	6,000
Pounds of Solid Waste	222,846	183,733	23,039	36,652	466,000
Gallons of Wastewater	1,212,960	1,000,065	125,400	199,500	2,538,000
Households of Annual Trash	52	43	5	9	110

Source: Paper Task Force Report & <http://edf.org/article.cfm?contentid=2964>



Our Natural Care Products

Oral Care—88 SKUS



- Pioneered the first natural toothpaste, mouthwash and deodorant. Still the category leader!
- Created using innovative science and research into plant and mineral ingredients.
- Packaged using recycled and recyclable materials.
- Manufactured in our green facility powered by wind energy.

Body Care—42 SKUS



- No animal ingredients or animal testing.
- IPS (Ingredient, Purpose, Source) and full-story personal communication (expanded content label, inserts in boxes, “Dear friends” letter from Tom and Kate) with every product.



Our Policies



10% of profits given to nonprofit groups through Giving for Goodness program.



Employees encouraged to use 5% of paid time for community volunteering.



Wellness Center gym and health programs.



Quarterly business reviews for entire company.



\$4,000 towards purchase of a hybrid vehicle.



Generous medical and parental leave and childcare benefits.



Flexible lifestyle working hours.



Full company gatherings.



Our promotions: Common Good Partnerships

Natural Care Consumer



Opportunity to get more people involved and build membership

+



Opportunity to put their money towards causes they support and take action

+



+



Opportunity to connect deeply with consumers, address community concerns, and build business.

Successful promotions in Northeast markets

Full support of Tom's of Maine Common Good Partnership programs drives incremental lift, strong margins, and a community-based connection to customers.



Regular ad

\$



340% Lift

Full support
Rivers Awareness

\$



367% Lift

Full support
Dental Health for All



Our market position

TOTAL NATURAL CHANNEL*



In the natural channel, Tom's of Maine is the clear leader in toothpaste, owning 52% of the category. The next largest brand is less than one-fourth the size of Tom's of Maine.

*Source: SPINS, Total Natural Channel 52 Weeks Ending 3/25/06

TOTAL ALL CHANNELS*

In all channels combined, Tom's of Maine is the #6 toothpaste brand. Our growth rate of 10.1% outpaces the toothpaste category and almost all competitive brands.

RANK	TOOTHPASTE	SALES DOLLARS	DOLLAR SHARE	DOLLAR % CHG VS. YAGO
	Total Toothpaste	\$1,234,643,681	100%	-0.4%
1	Colgate	\$417,043,280	33.8%	-1.3%
2	Crest	\$397,854,278	32.2%	4.5%
3	Aquafresh	\$102,239,266	8.3%	-5.4%
4	Sensodyne	\$69,682,276	5.6%	3.7%
5	Arm & Hammer	\$60,204,160	4.9%	-8.3%
6	Tom's of Maine	\$30,429,377	2.5%	10.1%
7	Rembrandt	\$25,904,251	2.1%	-18.7%
8	Mentadent	\$24,671,903	2.0%	-14.0%
9	Orajel	\$9,735,768	0.8%	18.1%
10	Oral-B	\$9,457,974	0.8%	7.1%

* Food, Drug, Mass (excluding Wal-Mart), Total Natural Channel; 52 Weeks Ending May 20, 2006



Analysts project strong growth rates for natural and organic products

Natural and Organic Products
(\$ volume in billions)



Natural Personal Care
(\$ volume in billions)



Source: Natural Food Merchandiser, Industry Analyst Reports, June 2004

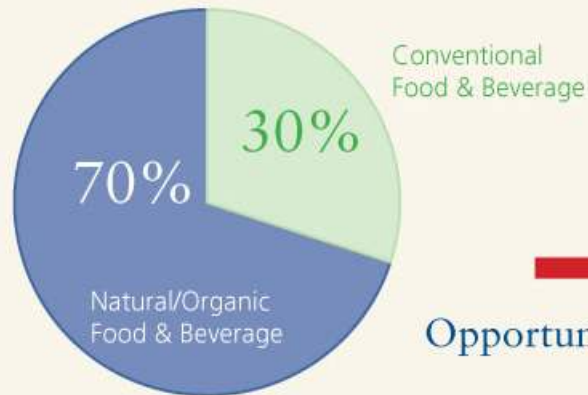
CAGR = Compounded Annual Growth Rate



More households looking for natural and organic products

Each incremental point of household penetration gained is worth \$150 million.
Keys to success: Product efficacy, authenticity, and a trusted trademark.

Natural/Organic Food and Beverage % Household Penetration



Natural/Organic Personal Care % Household Penetration

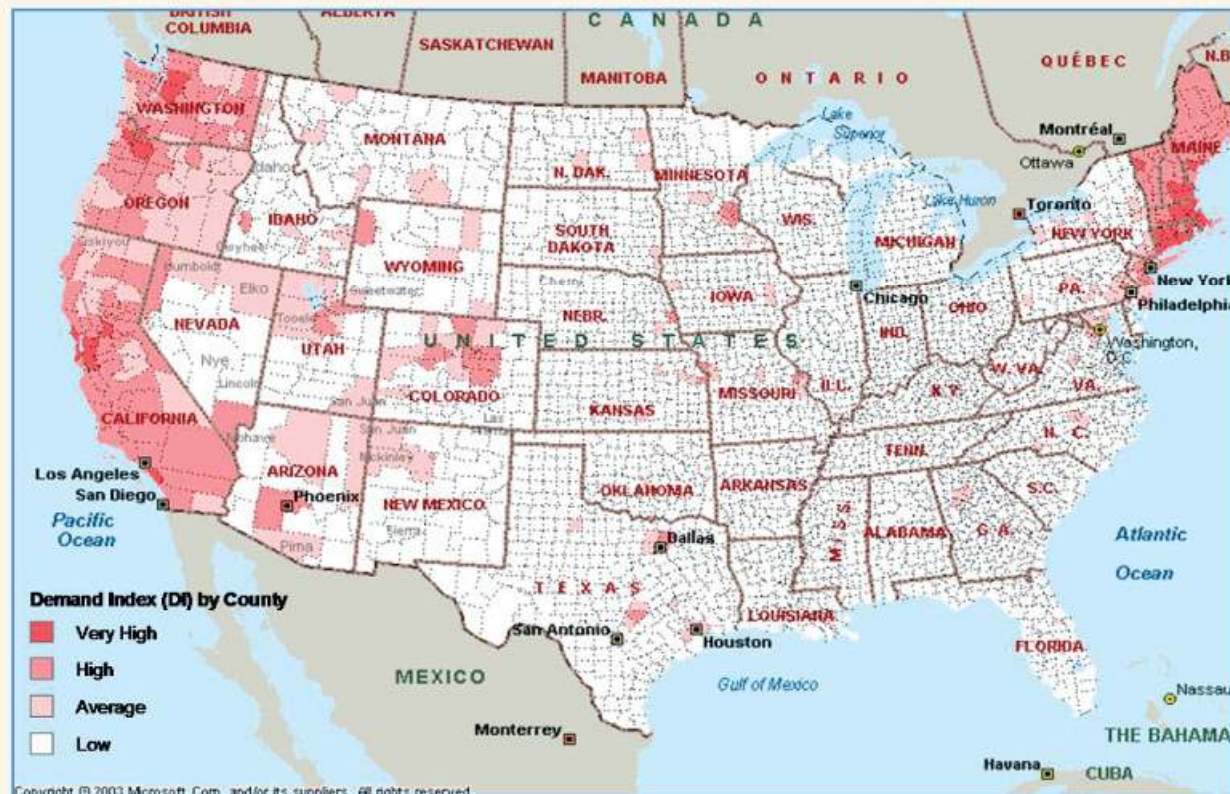


→
Opportunity=\$150 mm/point



Demand is national

Tom's of Maine consumer demand strengths by county





The Tom's of Maine Natural Care Center





The formula for a sustainable, values-based economic opportunity

We demonstrate leadership
by being financially successful
while behaving in a socially
responsible and environmentally
sensitive manner.

LEADERSHIP

VISION

Our vision promotes safe and
environmentally friendly personal
care products for consumers.

BELIEFS

We believe in our company Mission
and Stewardship Model, and it
guides our decisionmaking.